



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

May 27, 2004

Michael Villegas
Air Pollution Control Officer
Ventura Air Pollution Control District
669 County Square Drive
Ventura, California 93003

Re: Air Permit Application for Cabrillo Port Project
(Proposed Deepwater Port Project Off Shore Ventura, California by BHP Billiton
LNG International Inc.)

Dear Mr. Villegas:

This letter concerns the application by BHP Billiton LNG International Inc. ("BHP") for an air permit for the construction and operation of a Floating Storage and Re-gasification ("FSRU") facility off the coast of Ventura County in California. As you know, the United States Environmental Protection Agency ("EPA") is the air permitting authority under the Deepwater Port Act of 1974, as amended (33 U.S.C. 1501 *et seq.*) ("DPA"), and we have made the preliminary determination that, for air pollution control purposes, the regulations of the Ventura County Air Pollution Control District ("Ventura APCD") are the relevant laws of the nearest adjacent coastal state (in addition to any other applicable state laws). We have also reached the preliminary conclusion that the offset requirements of the Ventura APCD Rule 26 apply.

We are writing to ask for your help in understanding how your office would interpret the offset requirements of Rule 26 to apply to a stationary source located approximately 14 miles offshore of Ventura County, California, when such a source is not located on a Channel Island or on an existing offshore platform¹ (but assuming that Rule 26 does apply to such stationary source). This facility will be a port which would be able to receive liquefied natural gas ("LNG") from carriers, store the LNG, regasify the LNG, and deliver the natural gas via pipeline to the existing onshore natural gas distribution system. Specifically, we would appreciate receiving your interpretation of the offset requirements and definition of "emissions unit" of Rule 26 with respect to the following types of activities and emissions of such a facility:

¹However, another application for a proposed deepwater port by Crystal Energy has been submitted for a facility that would be located on a OCS platform. We are also interested in learning if your answers to the questions posed in this letter would be different if the facility were located on an existing OCS platform.

- (A) Emissions from marine vessels while docked at the stationary source.
Would Rule 26 require offsets for emissions from vessels docked at the stationary source arising from the loading and unloading of cargo?
Would Rule 26 require offsets for emissions from vessels docked at the facility arising from any other activities such as hoteling?
- (B) Emissions from marine vessels while in transit in California Coastal Waters, if such marine vessels will ultimately load or unload at the stationary source.

We are asking for your help because the definitions of “emissions unit” and “stationary source” (and other defined terms, including “common operations,” “cargo carriers,” and “California coastal waters”), provided in Rules 26 and Rule 2 (both contained in the current California State Implementation Plan), have raised questions concerning how Rule 26 treats vessel emissions from vessels that load or unload at the stationary source, such as liquified natural gas (“LNG”) tankers which would be docking at the proposed deepwater port to offload LNG. As the air permitting authority for the proposed FSRU facility, EPA must determine how to apply relevant air pollution control laws of the nearest adjacent coastal state in a manner which is consistent with the Deepwater Port Act. Before we can make such a determination, we wish to make sure that we understand how Ventura APCD interprets Rule 26.

We appreciate your help on this time sensitive matter and hope to get a prompt response from your office. If you have any questions concerning this letter, please call Nahid Zoueshtiagh at (415) 972-3978.

Sincerely,

Gerardo C. Rios
Chief, Permits Office
Air Division

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